# *ORTECH CORPORATION*

## *2009 ANNUAL REPORT*

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***ORTECH CORPORATION***
***2009 ANNUAL REPORT***

## BACKGROUND

ORTECH is established under the *Research Foundation Act* and reports to the Ministry of Economic Development ("MEDT").

The ORTECH Corporation operated since the 1940s as a broadly based technical services organization that provided private sector clients and others with services related to product testing and development, analysis and evaluation, technology consulting and problem-solving in the areas of engineering and transportation, materials technologies, environment services and health services.

In 1997, the Government of the day determined that it wished to review activities of government that might be better carried out either in collaboration with the private sector or divested. During the course of 1998, the Office of Privatization reviewed ORTECH Corporation in this context.

On April 8, 1998, the Office of Privatization announced that the government would proceed with the sale of ORTECH's business assets. Following negotiations with the purchaser and after the agreement for the sale of the assets had been reached, the sale was approved by the Board of Governors on December 14, 1998. The sale of the operational assets was completed in January, 1999 to Bodycote International.

Following the completion of the sale of assets January 1999, all employees were terminated. ORTECH Corporation completely ceased operations and effectively had no assets and no employees. Although ORTECH was no longer a "going concern", the Corporation still retained a number of obligations including the settlement of lawsuits, the wind-up of the Pension Plans, and the post closing obligation to arrange for building repairs.

The Registered, Executive and Supplemental pension plans have been settled. On completion of the settlement of the Defined Contribution Component of the Plan and the action taken in accordance with the Order of the Financial Services Commission of Ontario in 2008, the Plan was terminated on April 25, 2008. KPMG conducted the final audit of this Plan in 2009.

A second pension obligation exists in the form of obligations in the Supplemental Employee Retirement Plan (SERP) that was available to senior executives of the Corporation. The discharge of this obligation requires the use of ORTECH's cash assets.

ORTECH retains assets in the form of cash and investments to allow it to discharge the obligations related to the SERP of the corporation, maintenance of records and fees associated with one Patent of which it retains ownership as well as other minor operating expenses. ORTECH also maintains certain Trade Mark rights to names.

Because of these obligations, it has been necessary to continue certain administrative and accounting duties.

The Corporation has not received any funding from the Government of Ontario and its only revenue is the interest earned on short-term GIC investments.

## ANALYSIS OF FINANCIAL PERFORMANCE

The financial highlights for fiscal year 2009 include:

- During the fiscal year, operations reported a net income of $41,191;
- Interest on bank accounts and short-term investments is $54,042, which is slightly lower than the prior year ($55,179); and
- Consistent with the wind-down, the Pension Obligation was reduced by $56,932 during the year through monthly payments to specific individuals.

The Financial Statements of the Corporation are not audited.

## BUSINESS ACTIVITIES

The principal business activities of the Corporation during 2009 related to the payment of obligations related to the SERP, maintenance of records and fees associated with one Patent of which it retains ownership as well as other minor operating expenses.

### BOARD OF GOVERNORS

| Name | Appointment Expires |
|---|---|
| David Clifford | July 22, 2013 |
| Fernando Traficante | July 22, 2013 |
| Susan Snelgrove | July 22, 2013 |
| Robert Burns | April 13, 2013 |
| Keith West | April 13, 2013 |

Financial Statements of

# ORTECH CORPORATION

for the year ended December 31, 2009

(Unaudited)

*Unaudited*

## ORTECH CORPORATION

### Balance Sheet
### As at December 31, 2009

| | | Dec. 31 2009 $ | Dec. 31 2008 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets | | | |
| Cash | | 174,173 | 242,319 |
| Investments | | 1,752,186 | 1,728,148 |
| Accounts Receivable - Interest | | 45,561 | 15,558 |
| Total assets | | 1,971,920 | 1,986,025 |
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts payable and GST | | (718) | (2,354) |
| Long-Term Liabilities | | | |
| Pension Obligation | [note 4] | 1,010,920 | 1,067,852 |
| | | 1,010,202 | 1,065,498 |
| **EQUITY** | | | |
| Capital Contributions | | 3,363,100 | 3,363,100 |
| Retained Earnings (loss) | | (2,401,382) | (2,442,573) |
| | | 961,718 | 920,527 |
| | | 1,971,920 | 1,986,025 |

See accompanying notes to financial statements.

For the Corporation:

Governor

Governor

*Unaudited*

## ORTECH CORPORATION

### Statement of Operations
### for the Year Ended December 31, 2009

| | Dec. 31 2009 $ | Dec. 31 2008 $ |
|---|---|---|
| **INTEREST & INVESTMENT INCOME** | | |
| Interest on GIC investments | 54,042 | 55,179 |
| Miscellaneous income | 218 | - |
| Refund Re Pension Top Up Contribution | - | 382,672 |
| Investment interest & other income | 54,260 | 437,851 |
| **OPERATING EXPENSES** | | |
| Accounting and audit fees | 5,250 | 22,050 |
| Consulting and legal fees | 710 | 61,895 |
| Office supplies & miscellaneous expenses | 1,414 | 1,661 |
| Storage Fees | 5,695 | 3,649 |
| Operating Expenses | 13,069 | 89,255 |
| Net income | 41,191 | 348,596 |

*Unaudited*

## ORTECH CORPORATION

### Statement of Investment
### As at December 31, 2009

| | Dec. 31 2009 $ | Dec. 31 2008 $ |
|---|---|---|
| **Investment, beginning of year** | | |
| Capital Contributions | 3,363,100 | 3,363,100 |
| Opening Retained Earnings (loss) | (2,442,573) | (2,791,169) |
| | 920,527 | 571,931 |
| **Operating Income** | 41,191 | 348,596 |
| **Investment, end of year** | | |
| Capital Contributions | 3,363,100 | 3,363,100 |
| Retained Earnings (loss), end of year | (2,401,382) | (2,442,573) |
| | 961,718 | 920,527 |

# ORTECH CORPORATION

## Notes to the Financial Statements
## For the Year Ended December 31, 2009

### 1. General

The Corporation incorporated under the Research Foundation Act, 1944 and operates under the name ORTECH.

In January 1997, the Province of Ontario (the "Province") announced that the Corporation would be considered as a candidate for privatization as a means of providing improved continuity for operations in the private sector.

On February 6, 1998, the Corporation entered into a Privatization Transition Agreement, whereby the Province provided funds for the restructuring charges and funding for the continued operations.

The restructuring resulted in only a partial windup of the Corporation's registered pension plan.

In April 1998, the Province announced that it was prepared to sell the Corporation. And effective January 15, 1999, the assets of ORTECH were sold to a consortium of three parties.

The assets of the Corporation have been sold, and the Registered, Executive and Supplemental pension plans settled. The Plans have been deregistered by FSCO.

There is a remaining post retirement obligation to former employees of the Corporation in the nature of a pension, but not a registered one. These are the SERP top up payments. The payments are administered by a payroll service provider and the monthly costs are deducted from the operating bank account.

Since all pension plans were in the process of being wound down, the Province continued to support the Corporation by providing staff to record and monitor the activities of the private pension plan managers.

### 2. Basis of Presentation

These financial statements have been prepared in accordance with accounting principles general accepted in Canada (GAAP).

## 3. Significant accounting policy

In the preparation of these financial statements management has had to make estimates and assumptions that affect the amounts recorded. Actual results could differ from these estimates.

## 4. Pension Obligation

An estimated provision for the liability to the Corporation's obligations to former employees arising from post employment retirement entitlements was established as Pension Obligation. This amount is being reduced by way of monthly payments to specific individuals from the ORTECH Corporation's CIBC operating bank account.

Due to the cost of annually establishing a new actuarial estimate of the provision for the Pension Obligation, the original amount stated in the year 2000 has not been updated for this year.

## 5. Residual Corporate Matters

Although ORTECH is no longer a "going concern", the Corporation retains cash and investments with the CIBC bank, together with Trade Marks and one Patent.

## 6. Province of Ontario

The Corporation received no funding from the Province for operations during the current year.